

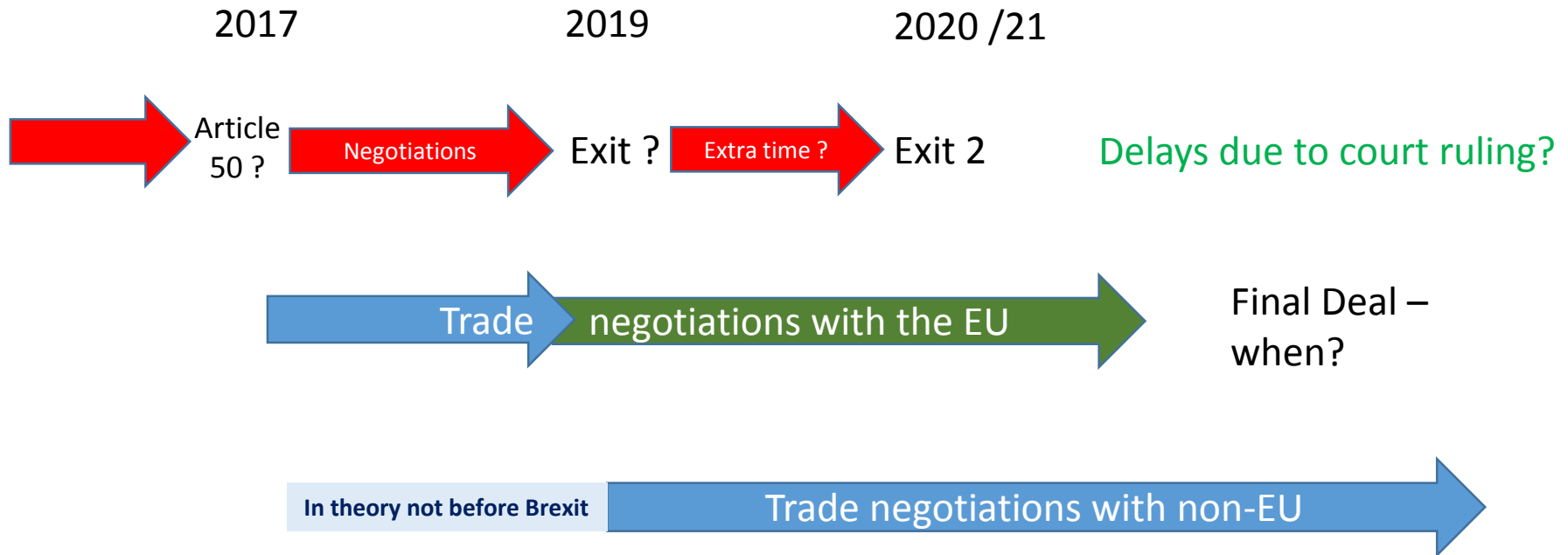
# Brexit and Trade

## 8 December 2016

Peter Hardwick

Head of Exports - AHDB

# Timeline and options



Trade talks are separate from exit talks – could take place in parallel. Exit first then conclude. The next day or later.

Competing interests – unanimous agreement by Member States and EU Parliament

Fear of UK success?

Michel Barnier – Négociateur en chef de la Commission  
Européenne pour le Brexit



Au revoir et bonne chance!

# What are the issues?

**International trade**

**Regulation**

**Agricultural policy**

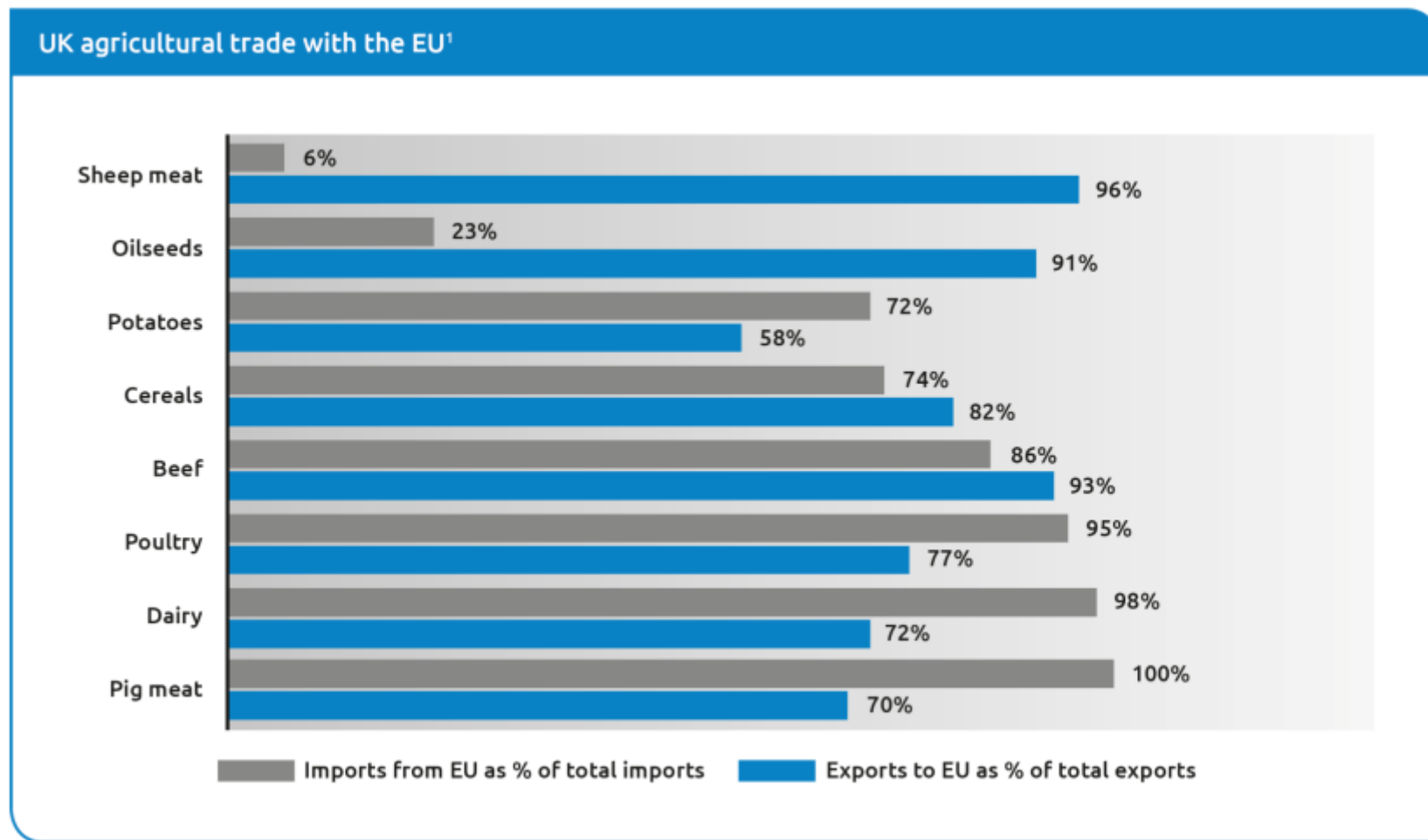
**Labour**

# Trade & Barriers



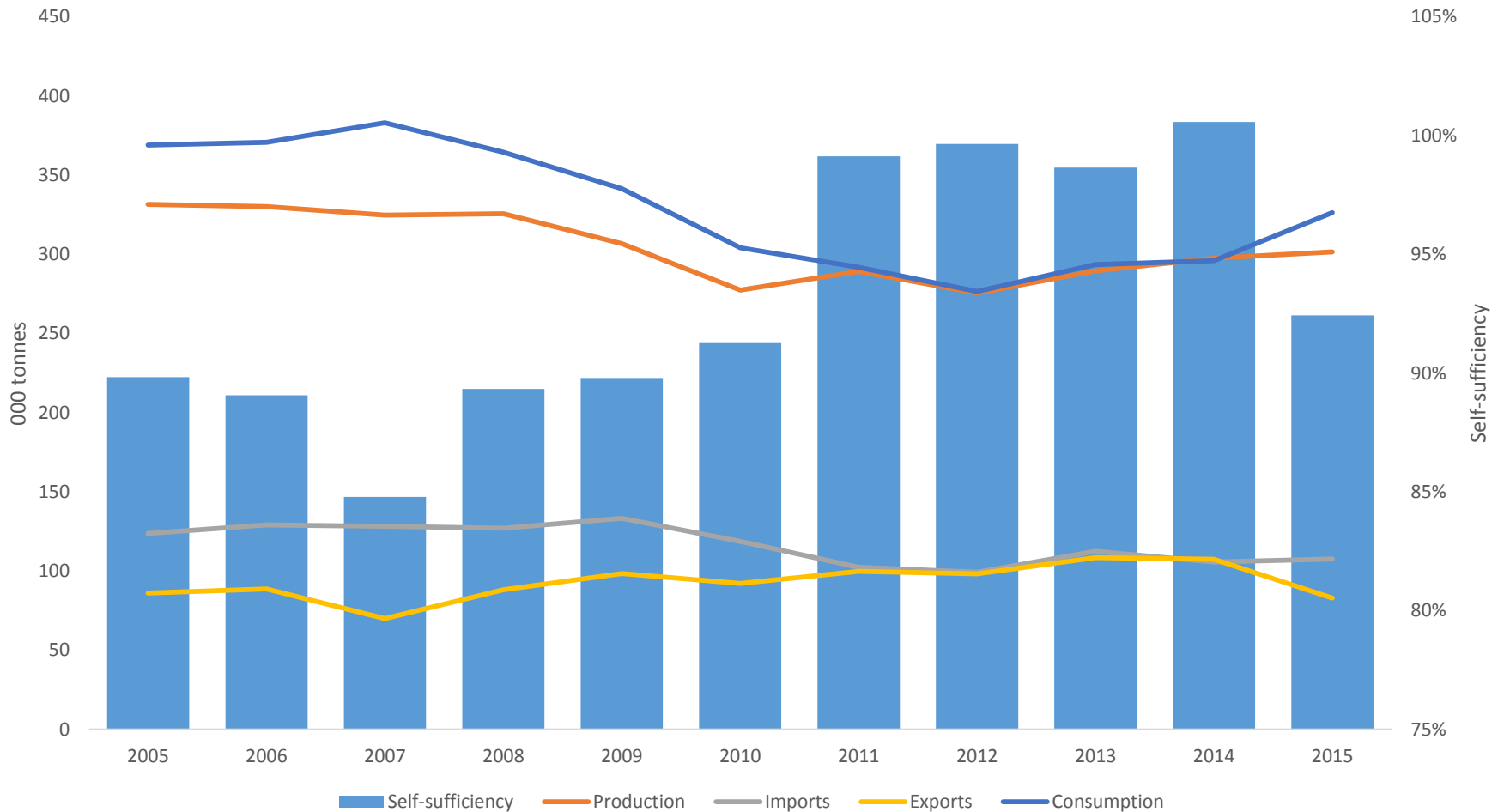
Children in Northern Ireland looking over the Brexit Wall into the opulent, Marmite-rich land of Ireland, 2019

# The importance of UK/EU trade

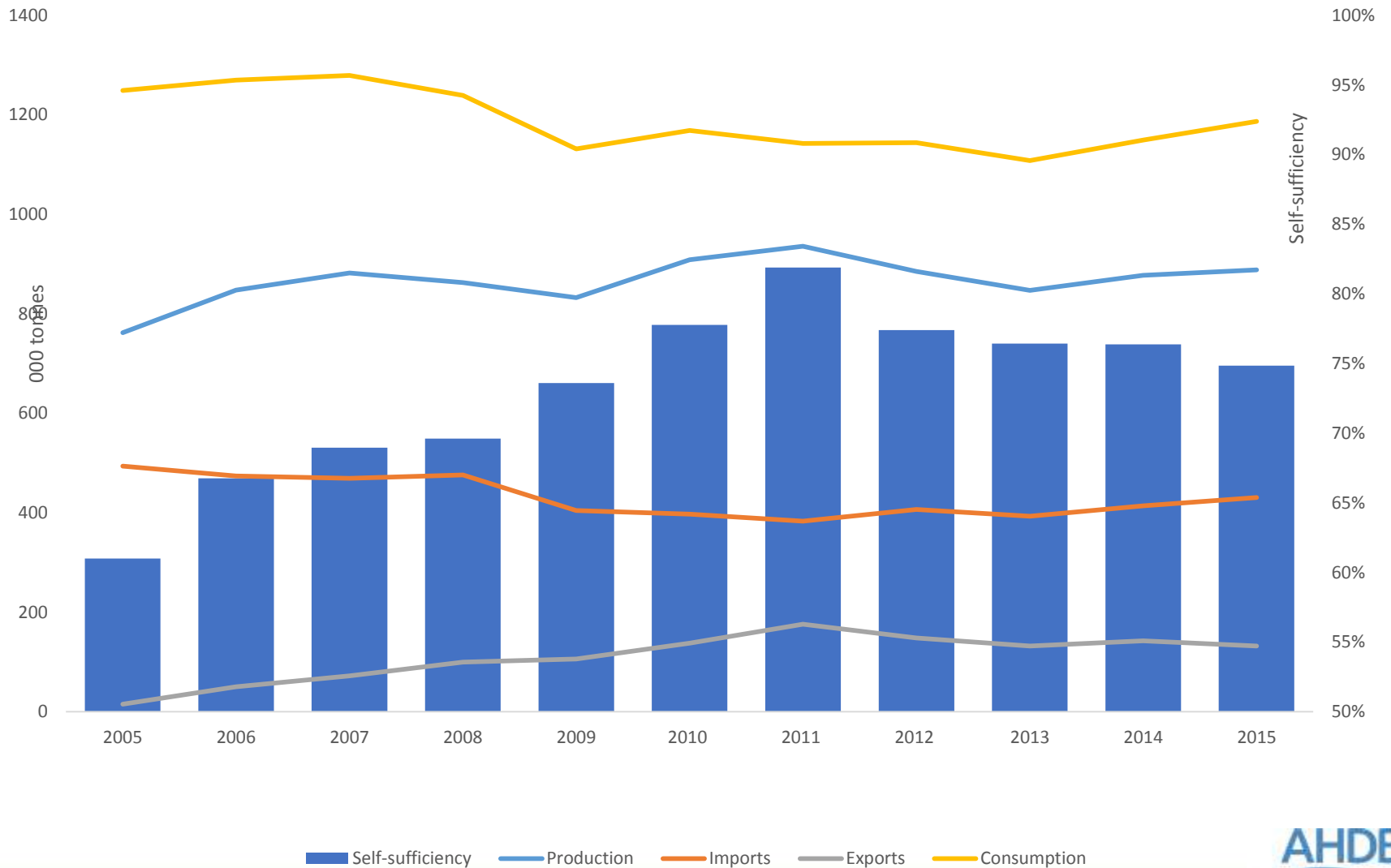


Source: Comtrade

# UK sheep meat balance sheet

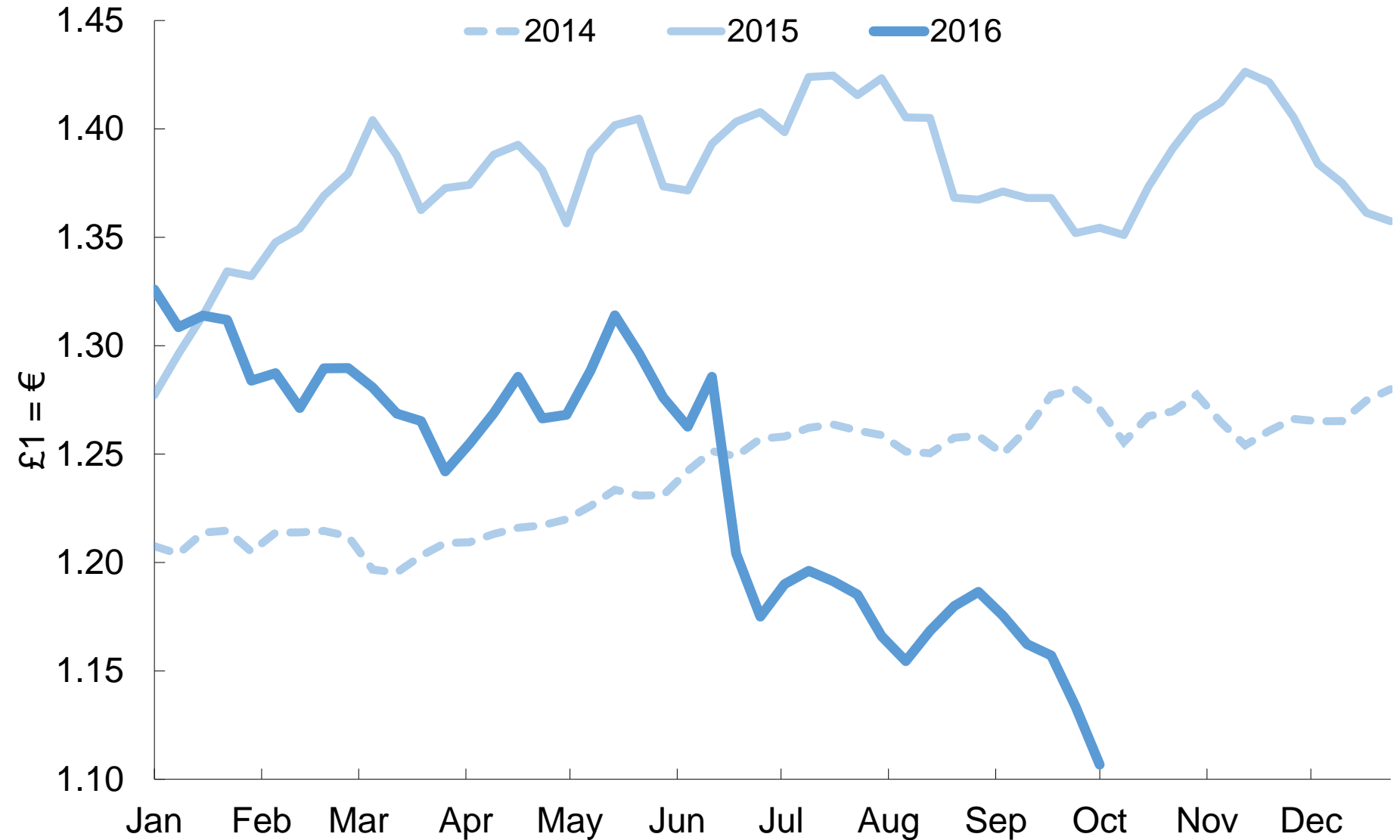


# UK beef balance sheet

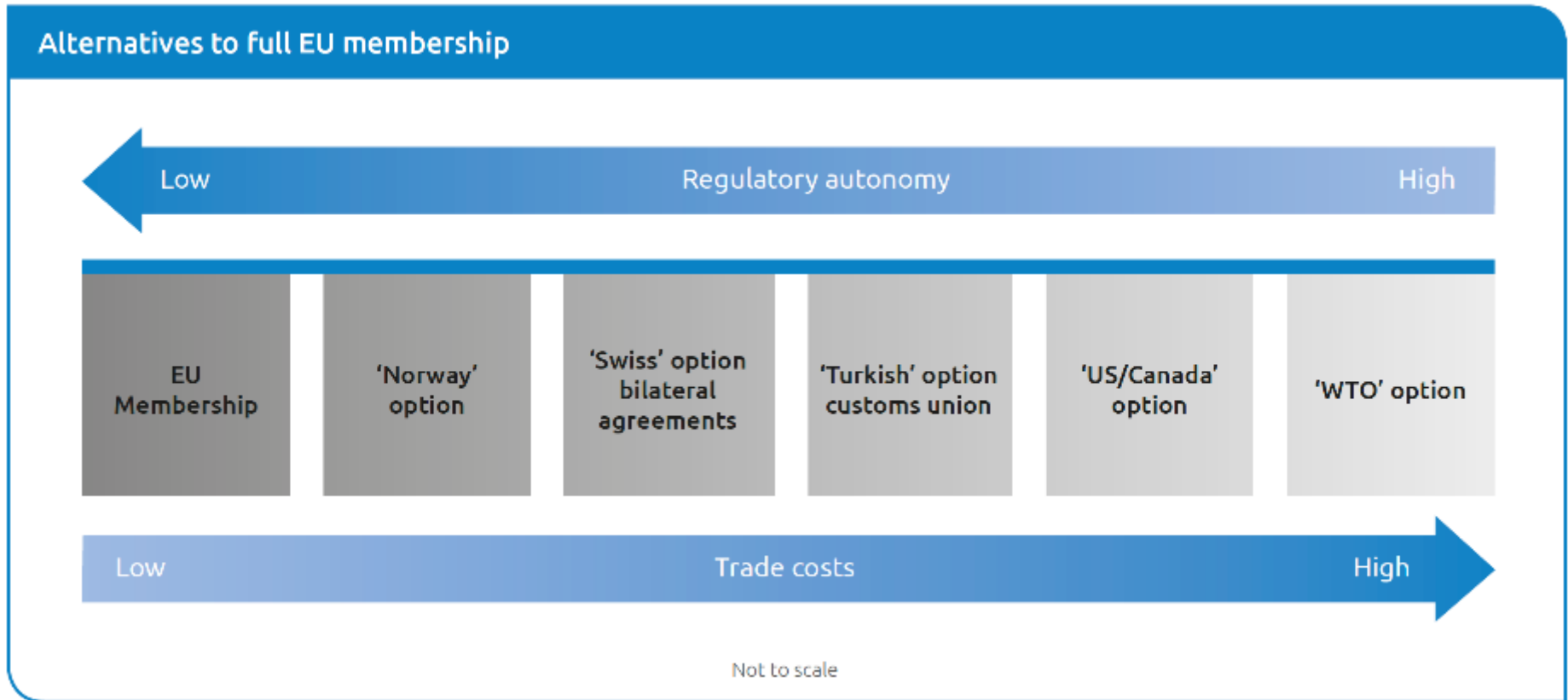




## Post-referendum decline in pound v euro aiding exports and pushing up import values



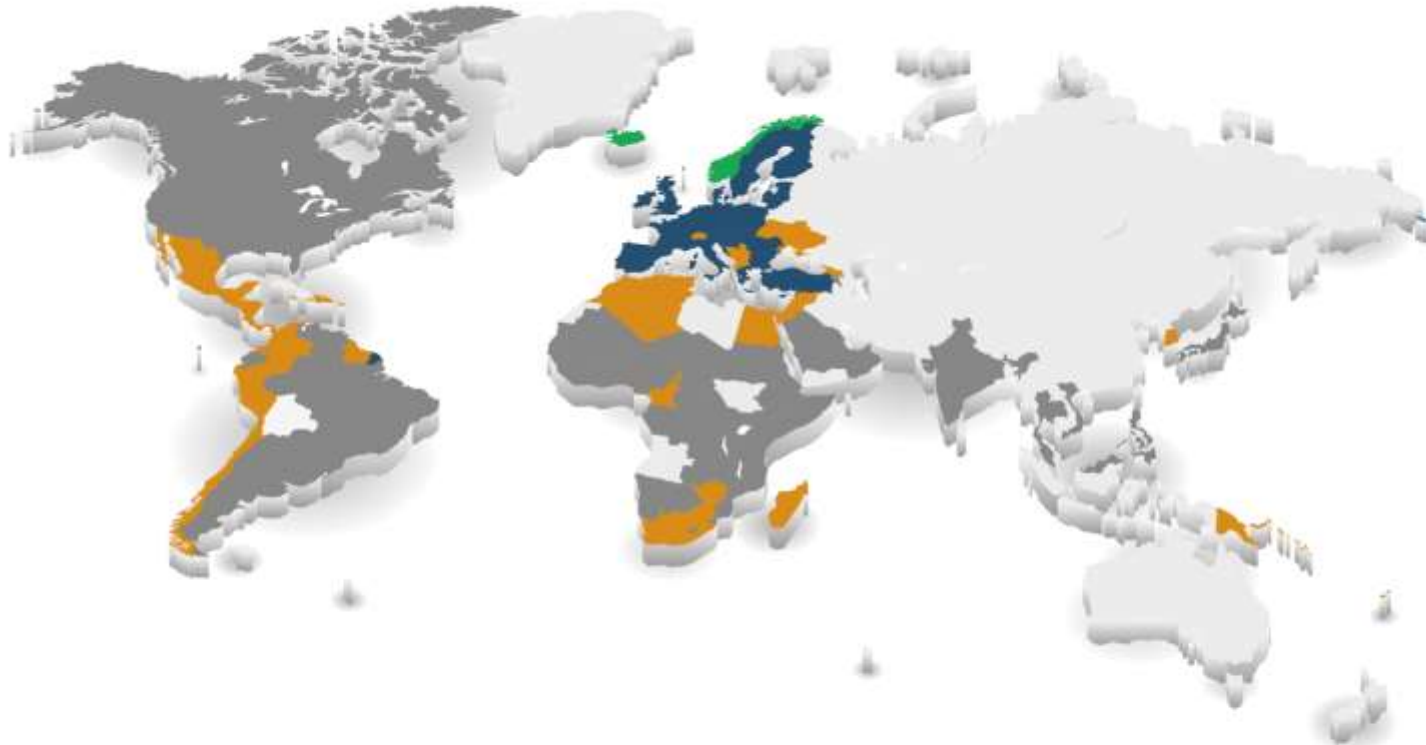
# Range of possible models for our trade relationship with the EU





'Free' Trade Agreements – are often limited to certain products and have quotas and tariffs for others.


# EU trade arrangements


The state of EU Trade, June 2016



 EU and customs union

 European Economic Area

 Preferential trade agreement in place

 Preferential agreement awaiting adoption or in negotiation

Source: European Commission

# WTO option, UK exports to EU subject to import tariffs

Product	Effective % tariff (2015 prices)	Tariff (p/kg) (current)
Fresh/chilled pork carcasses	50%	46.2
Fresh/chilled boneless pork cuts	43%	74.9
Fresh/chilled beef carcasses	84%	151.2
Fresh/chilled boneless beef cuts	65%	273.1
Fresh/chilled lamb carcasses	46%	171.7
Fresh/chilled boneless sheep meat	61%	284.8
Uncooked sausages	80%	128.8
Uncooked processed beef	71%	219.5

- Unclear whether UK would have any access to quotas with reduced rates
- Not known whether UK would impose same or similar tariffs on imports from the EU (and elsewhere)



# LESS REGULATION?

new e.u. directive -- A piece of string  
is 0.65 m.

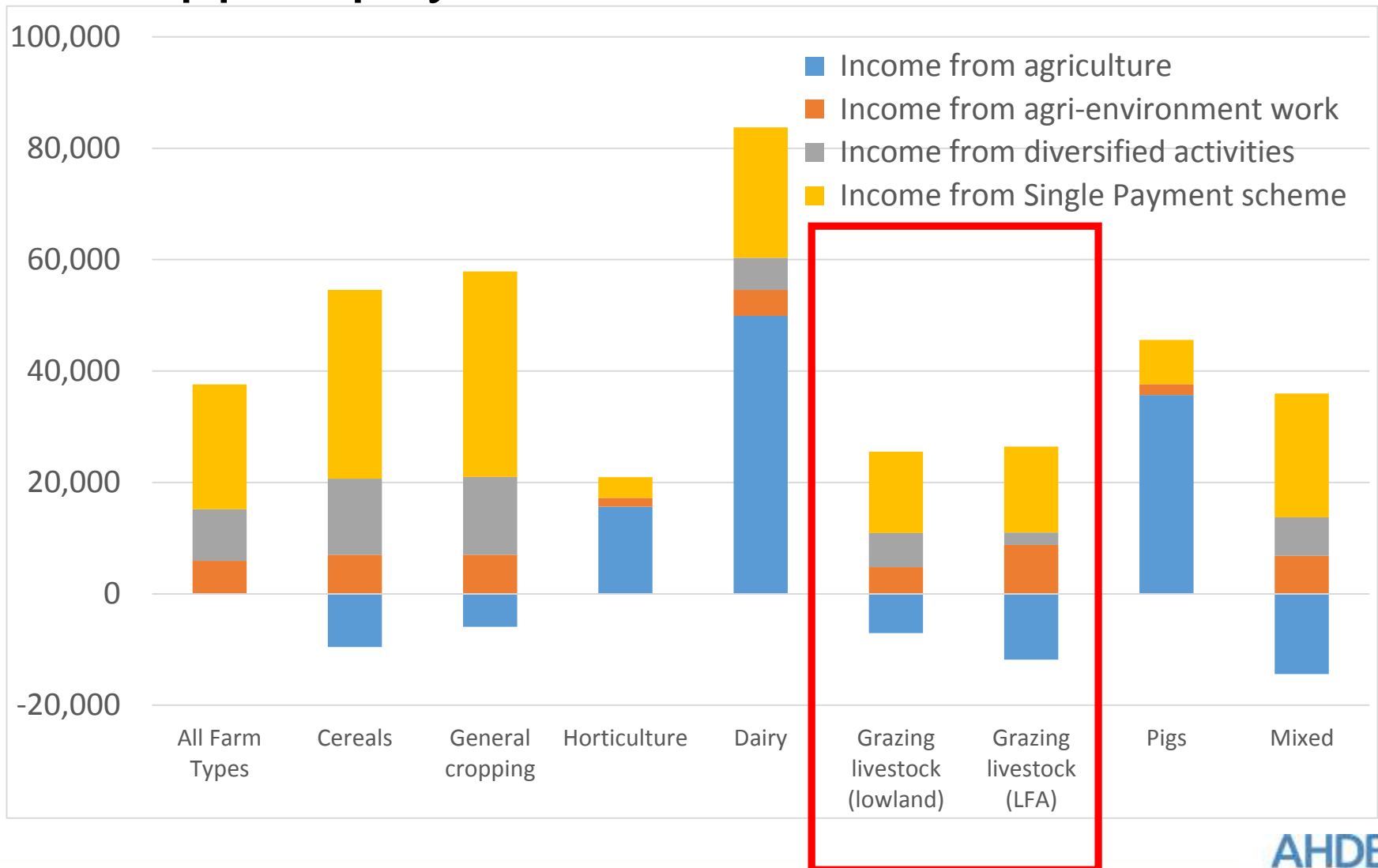
# Regulation

- Even with formal exit after 2 years - detail will take longer
- European Communities Act 1972 (ECA) - provides for the supremacy of EU law. Repealing the ECA ends constitutional relationship between EU and UK law.
- Mass of secondary legislation would have to be considered by the government – adopted in the first instance in the Great Repeal Bill
- Even if UK does not replicate EU law, trading in EU still be required to comply with EU laws in many cases. Competition rules, regulation, standards.

# Support & Labour

- Treasury has guaranteed Pillar 1 'until 2020'
- Until end of 2020 Multi Financial Framework - pays the 2019 Basic Payment
- Guaranteed funding for all agri-environment schemes drawn up until the UK leaves the EU
- Support not 'new' - Guaranteed Price System pre EU. £3.5 to £4.0 at current prices – higher than current levels
- Agriculture and food processing particularly dependent on migrant / immigrant labour

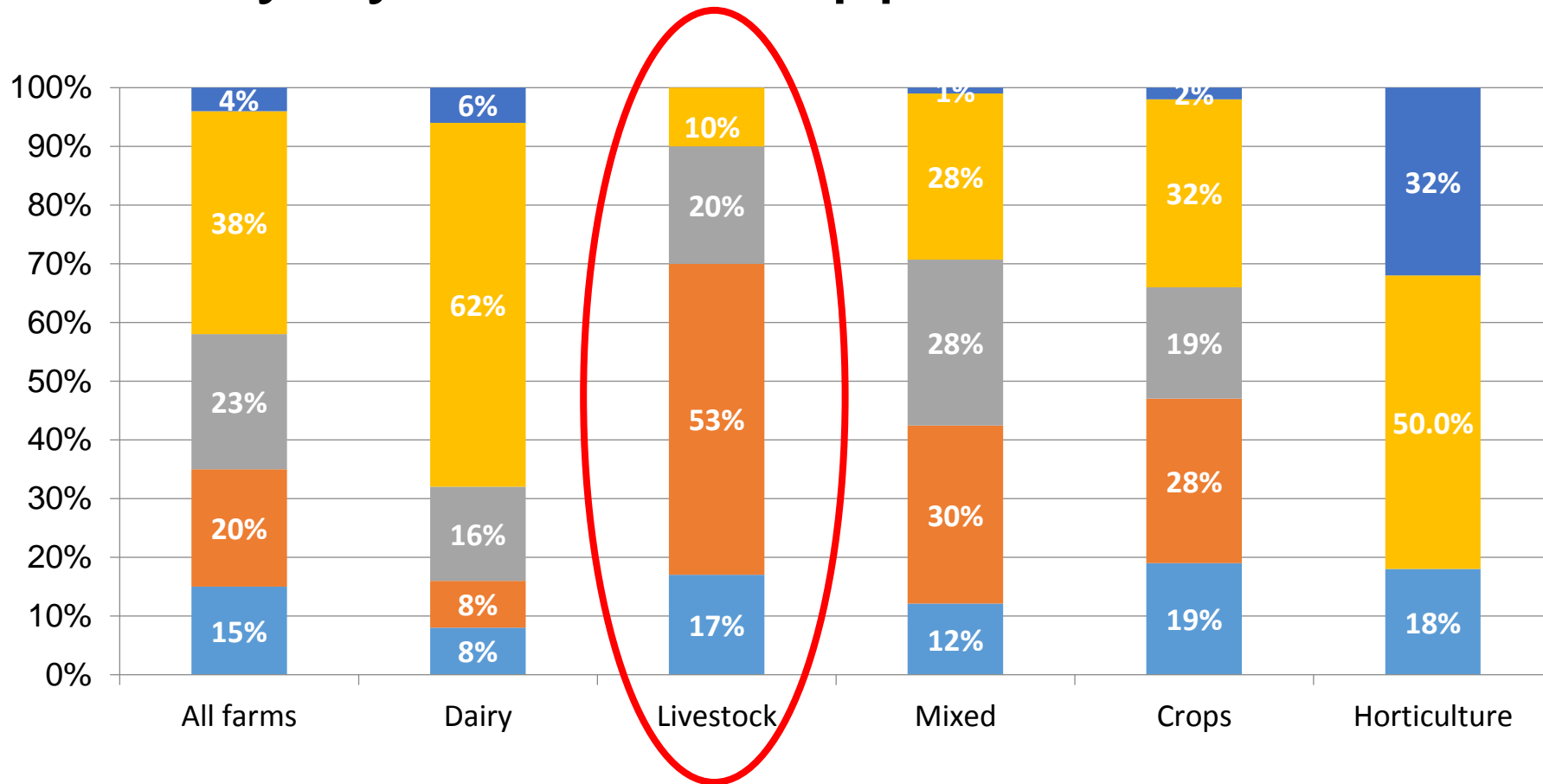
# Grazing livestock enterprises are dependent on support payments



Source : Defra, Farm Business Survey

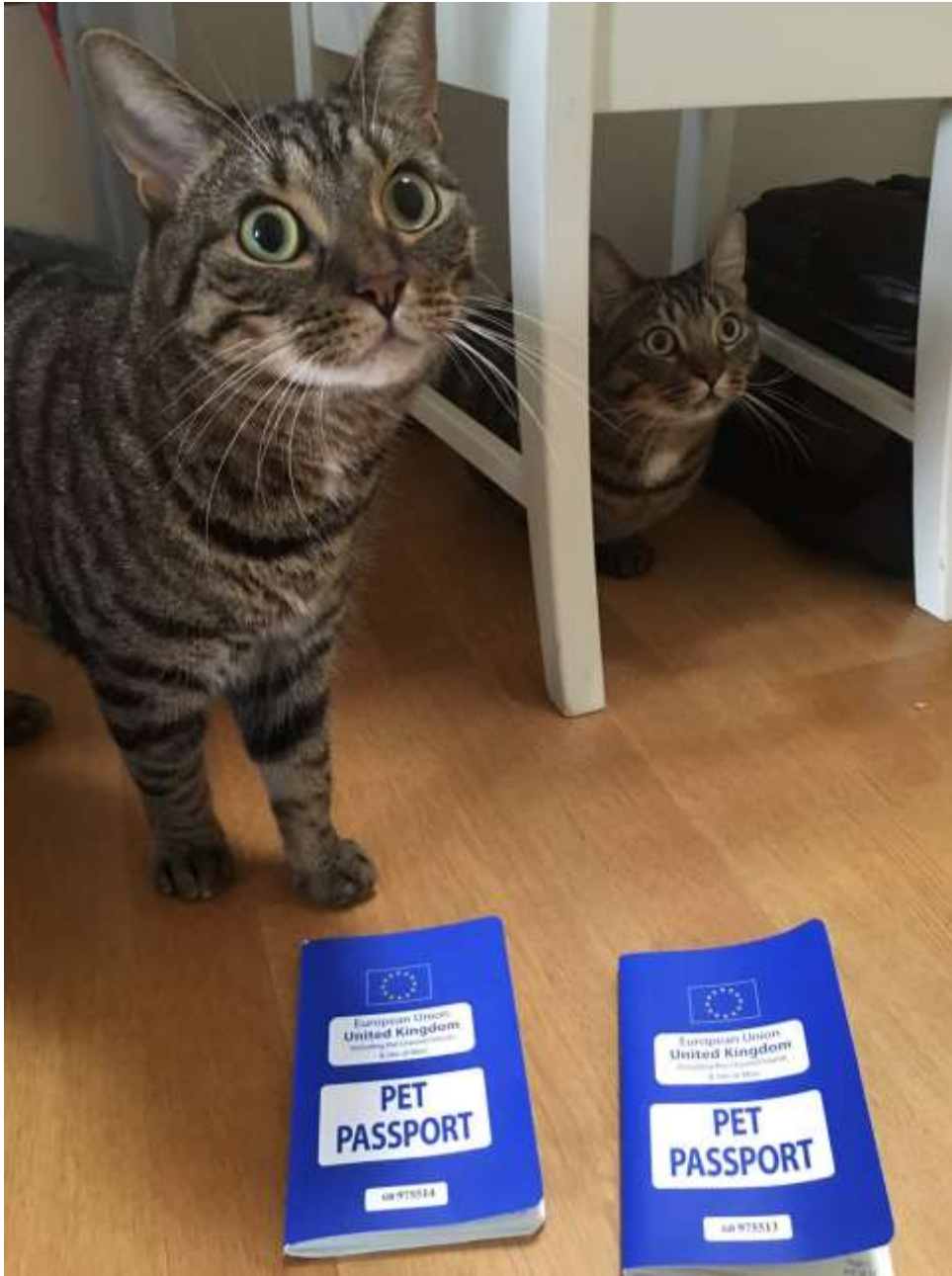


# Viability by sector if support were removed



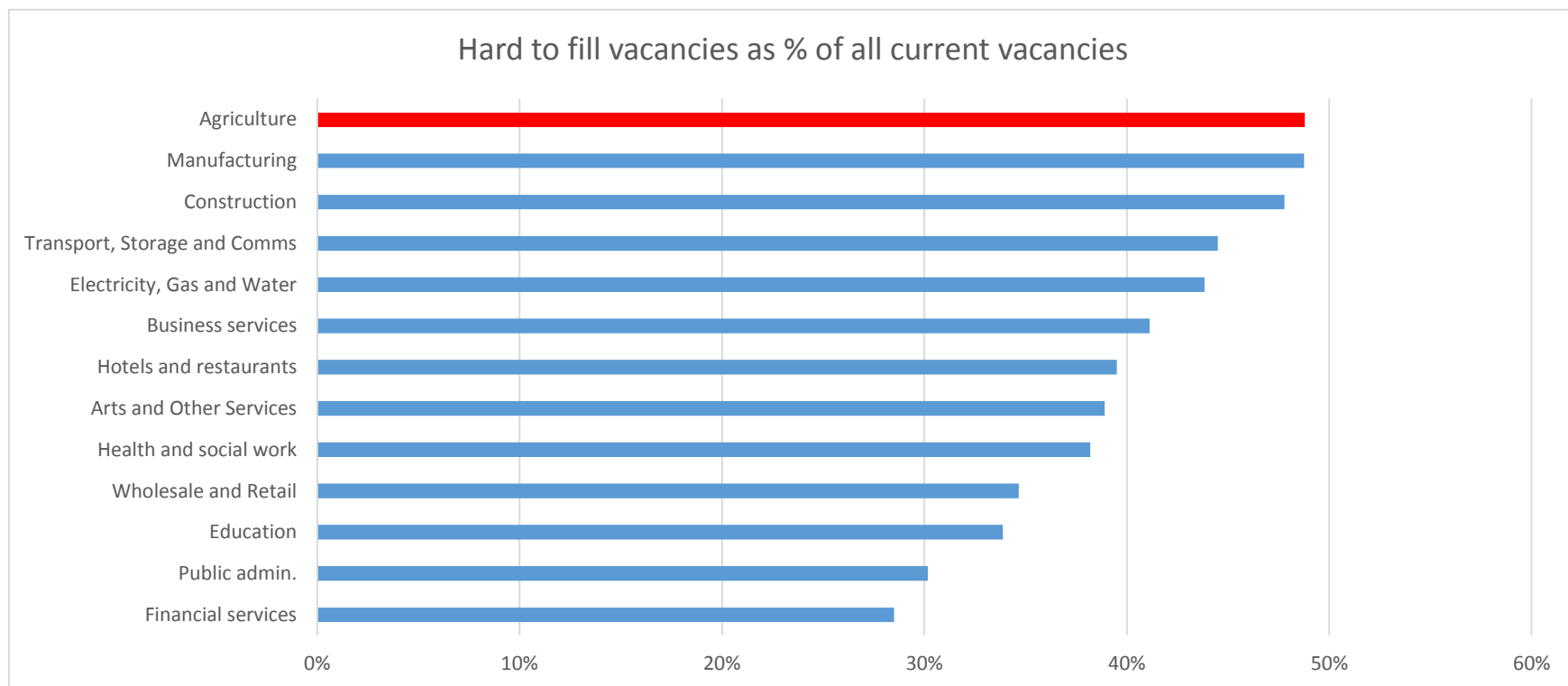
- Income still above opportunity costs - farms with good prospects
- Income still positive - farms with good prospects
- Income still positive but insufficient to invest+modernise
- Farms able to survive but likely to suffer financial distress
- Farms unable to survive

# Freedom of movement



How do I  
tell them?

# Migrant labour



Reasons different for agriculture: type of work, location, unsociable hours, seasonal jobs rather than lack of skills

# Migrant labour important for agriculture and food processing

Top 6 by workforce share, all migrants	%	Top 6 by workforce share, recent migrants	%
Manufacture of food products	38	Manufacture of food products	14
Domestic personnel	32	Accommodation	11
Manufacture of wearing apparel	29	Domestic personnel	11
Accommodation	27	Food and beverage service activities	6
Food and beverage service activities	27	Manufacture of textiles	6
Scientific research and development	22	Extraction crude petroleum and gas	6

Taking out 'family labour', around 20% of regular agricultural workforce are migrants – not including seasonal/casual labour

# Challenges and opportunities for trade

- Structures and resources
  - Managing import/export controls
  - Regulators – creating a bespoke UK system for everything!
- ~~Free~~ Trade Agreements - Time
- Trading 'arrangements' - Market Access (EU and non-EU) - Continuity
- Challenges of 'freer' trade / more or less competition
- Future funding to promote the sector

# Our support for the industry

Helping our levy payers make sense of the issues as they evolve.  
Helping key stakeholders and Governments to seek the best possible deal for our industries outside the EU.

